

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SAJ-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 AGR-05 COME-00 XMB-02 FRB-03 FEA-01 INT-05

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R 180944Z APR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9542

INFO AMEMBASSY MOSCOW

USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L TOKYO 5183

E.O. 11652: GDS

TAGS: EEWT UR JA

SUBJ: JAPAN-SOVIET TRADE-AMMONIUM PLANTS

REF: MOSCOW 5229

1. JAPAN EXIM BANK AND FINANCE

MINISTRY OFFICIALS CONFIRMED TO EMBASSY PRESS REPORTS THAT JAPAN EXIM BANK WILL EXTEND YEN 65

BILLION (\$223 MILLION AT 291/1 EXCHANGE RATE) INTERBANK LOAN TO SOVIET UNION FOR EXPORT BY MITSUI TRADING COMPANY AND TOYO ENGINEERING OF FOUR AMMONIA PLANTS WITH TOTAL DAILY PRODUCTION CAPACITY OF 1,360 TONS. REPAYMENT TERMS AND INTEREST RATE WILL BE NEGOTIATED IN TOKYO AFTER EXIM VICE PRESIDENT HOSHINO RETURNS FROM MOSCOW, BUT EXIM INDICATED TERMS WOULD BE VERY CLOSE TO NORMAL SUPPLIERS CREDITS (I.E., UNDER 10 YEARS AND 7.5 PERCENT). EXIM CREDIT WILL COVER ABOUT 70 PERCENT OF TOTAL CONTRACT PRICE.

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2. ALTHOUGH JAPAN EXIMBANK HAS IN PAST GRANTED SOVIET

UNION INTERBANK LOANS IN CONNECTION WITH SIBERIAN RESOURCES DEVELOPMENT, EXPORT OF AMMONIA PLANTS REPRESENTS FIRST INSTANCE OF DIRECT OFFICIAL CREDITS BEING EXTENDED FOR PURELY COMMERCIAL TRANSACTION. ONE EXIM OFFICIAL SIMPLY CITED LONG-STANDING REQUESTS FROM BOTH SOVIETS AND JAPANESE EXPORTERS AND CURRENT CEILINGS IMPOSED BY MINISTRY OF FINANCE ON EXIM EXPORT CREDITS TO INDIVIDUAL JAPANESE FIRMS AS MAJOR REASONS FOR DECISION IN AMMONIA PLANTS CASE, BUT ANOTHER EXIM CONTACT ASSERTED THAT AMMONIA PLANT DECISION REPRESENTED "FUNDAMENTAL SHIFT" IN GOJ POLICY WITH REGARD TO FINANCING ULTRA-LARGE PLANT EXPORTS TO SOVIET UNION. MOF OFFICIAL ALSO STATED THAT WHILE DECISIONS ARE MADE ON CASE-BY-CASE BASIS, VERY LARGE EXPORTS PACKAGES ARE MORE LIKELY TO BE HANDLED AS BANK-TO-BANK LOAN.

3. IN CONTRAST TO ABOVE, FOREIGN OFFICE DECLINED EVEN TO CONFIRM THAT BASIC APPROACH TO AMMONIA PLANT EXPORT FINANCING HAD BEEN DECIDED, STATING ONLY THAT SOVIET DELEGATION WOULD VISIT JAPAN IN NEAR FUTURE TO DISCUSS AMMONIA PLANT DEAL.

4. COMMENT: WE WOULD VIEW JAPANESE DECISION TO PROVIDE INTERBANK LOAN TO SOVIETS FOR AMMONIA PLANTS AS SIGNAL OF SERIOUS INTEREST TO EXPAND ECONOMIC RELATIONS DESPITE RECENT SLOW GOING ON CERTAIN SIBERIAN ENERGY DEVELOPMENT PROJECTS. IT MAY ALSO REPRESENT DESIRE TO CONCLUDE DEAL PRIOR TO COMPLETION OF "GENTLEMEN'S AGREEMENT ON EXPORT CREDITS", A LINKAGE EXPLICITLY RAISED BY MOF OFFICIAL.
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